

In The Matter Of:

R.J. REYNOLDS TOBACCO COMPANY
MATTER NO. D09285

LYNN BEASLEY
Vol. 3, June 17, 1998

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[4] WITNESS: EXAMINATION:

[5] Lynn Beasley Mr. Shonka 486

[6] (Volume III)

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[9] EXHIBITS FOR ID DESCRIPTION

[10] No. 30 54 YAS OOH Plan

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[1] FEDERAL TRADE COMMISSION

[2]

[3] In the Matter of:

[4] R. J. Reynolds Tobacco Co.,

corporation.

Matter No. D09285

[6]

[7] Wednesday, June 17, 1998

[8]

[9] Williams, Cartlidge, Sandridge & Rice

200 West Second Street

Winston-Salem, NC 27102

[12]

[13] The above-entitled matter came on for

[14] administrative deposition, pursuant to notice, at

[15] 9:04 a.m.

[16]

[17] APPEARANCES:

[18]

[19] ON BEHALF OF THE FEDERAL TRADE COMMISSION:

[20] DAVID C. SHONKA, Attorney

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PROCEEDINGS

Whereupon –

LYNN BEASLEY,

[5] a witness, called for examination, having been

[6] previously duly sworn, was examined and testified as

[7] follows:

EXAMINATION

BY MR. SHONKA:

[10] Q: Good morning, Ms. Beasley.

[11] A: Good morning.

[12] Q: How are you feeling today?

[13] A: Fine, thank you.

[14] Q: Ready to go?

[15] A: Yes.

[16] Q: You understand you're still under oath?

[17] A: Yes.

[18] Q: Okay.

[19] Yesterday I believe you mentioned once or

[20] twice that your interest in 18 to – that Reynolds

[21] has been interested in younger adult smokers 21 –

[22] 18 to 24 and 18 to 20s because, at least for one

[23] reason, they are – that's an age when a lot of

[24] switching, in fact, occurs. Is that a correct

[25] statement?

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(1) A: Yes.
(2) Q: Okay. Let me ask you: What is the
(3) advantage to Reynolds of targeting to a group of
(4) smokers who Reynolds recognizes are prone to
(5) switching anyway?
(6) A: Well, obviously, if you have a marketing
(7) idea and you think, by doing the promotions and all
(8) the marketing around the brand, that you can
(9) convince a competitive smoker to switch to your
(10) brand, then you want to market to that group that's
(11) prone to switch.
(12) Q: All right. So you want - does that mean
(13) that you want to market to the people who are likely
(14) to buy the brand you're marketing?
(15) MR. WILLIAMS: What?
(16) THE WITNESS: No. You're - you create a
(17) target for the brand that you believe, by doing all
(18) the marketing around the brand, all of it, that that
(19) group of adult smokers will switch to your brand.
(20) BY MR. SHONKA:
(21) Q: Yesterday we talked about first usual brand
(22) smokers as people who are ~~likely~~ chosen a brand as
(23) their first usual choice; is that correct?
(24) MR. WILLIAMS: Wait a minute. You talked
(25) about first usual brand. She talked about first

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(1) usual and younger adult smokers. Okay? So -
(2) there was no "we" there. It was you.
(3) MR. SHONKA: All right.
(4) BY MR. SHONKA:
(5) Q: What does Reynolds call a person who has
(6) chosen a particular brand of cigarette for - as
(7) that person's usual brand for the first time?
(8) A: Again, they're - they're a usual brand
(9) smoker. They have a usual brand.
(10) Q: And -
(11) A: adult smoker that has a usual brand.
(12) Q: And the first usual brand refers to the
(13) first brand that a person chooses as his or her own
(14) brand?
(15) A: NO. I don't use that. The only occasion I
(16) have had to use first usual brand is in the context
(17) of first usual brand younger adult smoker. We talk
(18) about usual brand smokers.
(19) Q: Okay.
(20) A: Those are people who - adult smokers who
(21) have a usual brand.
(22) Q: When a person has chosen a Reynolds
(23) cigarette - a Reynolds brand as that person's first
(24) usual brand, what do you call that smoker?
(25) A: We don't. We call - we have adult smokers,

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(1) and they are usual brand smokers of our brands.
(2) They are competitive smokers of another brand. And
(3) then there are some smokers who don't have a usual
(4) brand at all. They just use a number of brands.
(5) Q: And what are those people called?
(6) A: Usually non-loyal brand smokers. They're
(7) not loyal to a single brand.
(8) Q: Consider a person over 18 who has decided to
(9) smoke and smokes a competitive brand, a non-Reynolds
(10) brand. What do you call that person?
(11) A: A competitive adult smoker.
(12) Q: All right. And if that person, 18, has
(13) chosen a Reynolds brand as his or her usual brand,
(14) what do you call that person?
(15) A: They would be an adult smoker of one of our
(16) brands, or a franchise smoker.
(17) Q: Franchise smoker?
(18) A: Yes.
(19) Q: All right. Now, it seems to me that there
(20) has to be a class of person in there at the 18 age
(21) who is smoking but has chosen neither a Reynolds
(22) brand as his or her first choice, first usual brand,
(23) nor chosen a competitive brand as his or her first
(24) usual brand. What do you call that person?
(25) MR. WILLIAMS: She's already testified to

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(1) that. She gave you three categories. You -
(2) MR. SHONKA: John, please let her answer.
(3) MR. WILLIAMS: I let her answer the first
(4) time. Asked and answered.
(5) BY MR. SHONKA:
(6) Q: Would you please answer.
(7) A: I've answered it.
(8) Q: Could you repeat it again, please. I don't
(9) think I understood it.
(10) A: Okay.
(11) MR. WILLIAMS: Evidently.
(12) THE WITNESS: We have adult smokers who are
(13) franchise smokers of our brands; that is, they
(14) choose one of our brands and they are - that's
(15) their usual brand. We have competitive adult
(16) smokers; that is, they are loyal to a competitive
(17) brand. And then there are a group of adult smokers
(18) who are not loyal to a brand, and they are non-brand
(19) loyal adult smokers.
(20) BY MR. SHONKA:
(21) Q: All right. What is an occasional smoker?
(22) A: I'm not sure what you mean. We - we have a
(23) term called occasional user. And that means that
(24) you are loyal to a competitive brand - it's an
(25) adult smoker who's loyal to a competitive brand but

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(1) occasionally uses one of our brands of cigarettes.
(2) So there's an occasional user or occasional
(3) switcher.
(4) Q: Does Reynolds target to occasional users?
(5) A: They're not occasional users. They're
(6) occasional users of our brand and they're loyal to a
(7) competitive brand.
(8) And, yes, that's an important opportunity
(9) for us because we hope, by switching them on an
(10) occasional basis, over time we can switch them on a
(11) permanent basis.
(12) Q: Are occasional users thought of as belonging
(13) to any particular age group?
(14) A: Again, they are occasional users. They are
(15) loyal to a competitive brand and they're an
(16) occasional user of our brand. And that group is
(17) 18-plus. I mean, there - obviously there are
(18) competitive smokers at every age using - of adult
(19) smokers using a competitive brand most of the time
(20) but occasionally using our brands.
(21) Q: Do occasional users have any significance to
(22) the Camel brand?
(23) A: Again - adult competitive smokers who
(24) choose, let's say, Marlboro, for example, as the
(25) brand that's their usual brand are of significance

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(1) to Camel, yes, because they're occasionally
(2) switching to the Camel brand. And that occasional
(3) switching is a significant amount of sales for the
(4) Camel brand.
(5) MR. WILLIAMS: Stop writing notes, Laura.
(6) He's got enough questions of his own.
(7) BY MR. SHONKA:
(8) Q: Is it your understanding, or did I hear you
(9) say that you do not - that occasional smoker is not
(10) a term that Reynolds uses?
(11) A: No, I was saying that - I'm not sure how
(12) you were using it, but how we use it is we say an
(13) occasional switcher or an occasional user. And
(14) normally what that means is it's an adult smoker who
(15) is loyal to a competitive brand but occasionally
(16) uses one of our brands.
(17) Q: But what - the question was about
(18) occasional smokers.
(19) A: Well, again, I don't know how you're using
(20) it, but how I commonly use it is it's an occasional
(21) user - so it's an occasional adult smoker. An
(22) occasional user is someone who is loyal to a
(23) competitive brand, has a competitive usual brand,
(24) and switches to our brand occasionally.
(25) Q: You mentioned yesterday that 18 to 20 year

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(1) old younger adult smokers - strike that.
(2) You said yesterday that first usual brand
(3) younger adult smokers is a concept. Do you recall
(4) using that term?
(5) A: What I said was that it's a conceptual
(6) difference. And then, in practice, what we do is we
(7) market by age group of adult smokers.
(8) Q: A conceptual difference between what? With
(9) what?
(10) A: It's a conceptual definitional difference
(11) between a younger adult smoker who already has a
(12) usual - has had more than one usual brand and a
(13) younger adult smoker who has their first usual
(14) brand.
(15) Q: What do you mean by "conceptual"?

(16) A: I mean that you talk about it as being a
(17) difference at a conceptual level only. It's an
(18) intellectual difference. But in practice, what we
(19) do is we market our brands by age group to adult
(20) smokers.
(21) Q: Okay. Your savings brands, savings brands
(22) smokers, is that a conceptual group?
(23) A: That is - well, that's a very general term.
(24) I don't know if you're talking about the industry
(25) segment that we call savings segment. I'm not sure

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(1) what you're referring to.
(2) Q: You have savings brands - Reynolds has
(3) savings brands; is that correct?
(4) A: That's correct.
(5) Q: And what are the savings brands that you
(6) market?
(7) A: We have Doral. We have Magna. We have
(8) Sterling. We have Century. We have Monarch. We
(9) have Private Label brands.
(10) Q: And are the savings brands targeted at a
(11) particular age group?
(12) A: Yes.
(13) Q: And what is that age group?
(14) A: It would depend on - it would - for each
(15) brand, they have their own - each brand has its own
(16) target.
(17) Q: All right. Doral, what is the target for
(18) that?
(19) A: I'd have to go back and double check to be
(20) sure. I think the - I think it's 21 to 49
(21) competitive adult smokers and Doral smokers 21-plus.
(22) Q: Are there savings brands that are marketed
(23) to middle age smokers?
(24) A: What would be your definition -
(25) Q: As the principal target.

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[1] A: What would be your definition of middle age?
[2] MR. WILLIAMS: Obviously 49 is not the
[3] definition of middle age for Mr. Shonka anymore.
[4] THE WITNESS: What would be your definition
[5] of middle age?

BY MR. SHONKA:

[6] Q: I'd rather work in Reynolds terms. Do you
[7] have a definition?
[8] MR. WILLIAMS: Wait a minute. She gave you
[9] the age breakout. You said, What about middle age?
[10] She said, What do you mean by middle age? And you
[11] asked her what she meant by middle age after you had
[12] used it.

BY THE WITNESS:

[13] Q: Do you have a definition of middle age?
[14] A: No.
[15] Q: The age group beyond 21 to 24 is 25 to 39?
[16] A: What do you mean, "the age group beyond"? I
[17] don't know what you mean.
[18] Q: For your data.
[19] A: It can be broken by different age groups. I
[20] think the standard ones - namely, generally, the ones
[21] we use are 21 to 24, 25 to 34, and 35-plus, or 35 to
[22] 49 or ...
[23] Q: Are there savings brands that are marketed

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[24] to 35-plus?
[25] A: Well, again, Doral - I can't remember
[26] exactly its age target, but I do definitely
[27] include smokers 35-plus, yes.
[28] Q: Let's talk about the primary target for the
[29] brand. Are there brands that are targeted to 35 -
[30] savings brands, that are targeted to 35-plus?
[31] A: Again, I think Doral's target - I would
[32] have to go back and check, but I think Doral's
[33] target is 21 to 49 competitive smokers and Doral
[34] smokers 21-plus. So obviously that includes Doral
[35] smokers of all ages, and it includes competitive
[36] smokers 21 to 49. So, yes, that includes 35-plus.
[37] Q: The primary target.

[38] A: Yes.

[39] Q: Does primary target have a meaning to you?
[40] MR. WILLIAMS: She just told you what the
[41] primary target was.

[42] THE WITNESS: Yes. As best as I can recall,
[43] Doral's primary target is 21 to 49 competitive adult
[44] smokers and Doral smokers 21-plus.

BY MR. SHONKA:

[45] Q: You asked - again, what I'm trying to get a
[46] feel for here is conceptual - is what you mean when
[47] you refer to FUBYAS as a conceptual idea. Can you

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[48] tell me any other - anything analogous to that at
[49] Reynolds, in terms of being a marketing concept?
[50] A: I don't know what you mean.
[51] MR. WILLIAMS: Vague.
[52] THE WITNESS: I'm sorry. I don't know what
[53] you mean.

BY MR. SHONKA:

[54] Q: Well, the answer I think is vague. You say
[55] that -

[56] MR. WILLIAMS: The question was - I was
[57] objecting to the question, not the answer, just so
[58] you're clear there.

[59] MR. SHONKA: I'm having trouble with the
[60] answer.

BY MR. SHONKA:

[61] Q: You say that FUBYAS are a conceptual term?
[62] MR. WILLIAMS: She's been saying conceptual
[63] difference.

[64] MR. SHONKA: There's a conceptual
[65] difference.

[66] THE WITNESS: There's a conceptual
[67] difference.

BY MR. SHONKA:

[68] Q: And it's a difference between what?
[69] A: As I - as I've said, the difference is that

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[70] we're drawing a distinction between - among younger
[71] adult smokers. There are some younger adult smokers
[72] who have already become loyal to a brand, have
[73] already chosen a brand that they're loyal to, and
[74] there are some younger adult smokers who have not
[75] yet chosen a brand they are loyal to. That is the
[76] conceptual difference.

[77] Q: Can you give me another example of a concept
[78] or conceptual difference, besides FUBYAS?

[79] MR. WILLIAMS: Object. That is hopelessly
[80] vague.

[81] THE WITNESS: I mean, of course there would
[82] be differences between concept A and concept B. I
[83] mean, I don't know. I can't - that's very general.
[84] If you ask me something specific, I can - I can
[85] answer it for you.

BY MR. SHONKA:

[86] Q: In Reynolds' marketing practices, are there
[87] areas where terms are used that have a conceptual
[88] significance on the one hand but a practical
[89] difference on the other in terms of marketing?

[90] A: Practically, how it's applied? I don't -
[91] you know, I just - that's real general. There
[92] probably are others. I just can't think of - I
[93] guess you're looking for a parallel, and I can't

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(1) think of one right now.
(2) Q: Is there another concept that Reynolds uses
(3) when describing smoker behavior - smoking behavior?
(4) MR. WILLIAMS: What?
(5) BY MR. SHONKA:
(6) Q: Are there other concepts that Reynolds
(7) discusses in describing smoking behavior?
(8) MR. WILLIAMS: That is again vague.
(9) THE WITNESS: There are lots of concepts we
(10) use to describe smoking behavior.

(11) BY MR. SHONKA:
(12) Q: We talked yesterday about the Camel - about
(13) the development or stages of the Camel campaign, the
(14) Joe Camel campaign. In addition to the - the
(15) campaign had a lot of components, did it not?
(16) A: The campaign didn't have - I don't know
(17) what you mean by "components." You're going to have
(18) to tell me what you mean.
(19) Q: Well, for example, there was a - there were
(20) print ads?
(21) A: Yes, there were print ads.
(22) Q: And using components in that sense, what
(23) other components - is that a - would you
(24) describe print ads?
(25) A: Well, we have an advertising campaign -

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(1) Q: Well, we have an advertising campaign -
(2) A: The Joe Camel campaign, and we run those
(3) ads in magazines, we run them in billboards ...
(4) Q: All right. I have seen terms - "OOH," does
(5) that refer to out of home?
(6) A: Yes. That is billboards, out of home.
(7) Q: Does it include transit?
(8) A: Yes.
(9) Q: Anything else?
(10) A: No. Outdoor advertising. So I think it's
(11) transit and billboards.
(12) Q: It's just a marketing concept, there are times
(13) when Reynolds will place many billboards in very
(14) close proximity to each other; is that correct?
(15) A: I don't know what you mean. I mean -
(16) Q: Does Reynolds - Reynolds purchases
(17) billboard space, right?
(18) A: We contract with a supplier who contracts
(19) for the billboards for us.
(20) Q: And on occasion it - let's focus on the Joe
(21) Camel campaign. And on occasion the billboards -
(22) many billboards might be in a very - very close
(23) proximity to each other. Is that -
(24) A: Well, it's certainly possible that some
(25) billboards would be close to each other. I mean, we

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(1) go to a supplier and we ask them to buy coverage for
(2) us in a market, or could be nationally, and they
(3) contract to buy the billboards for us. They do the
(4) best job they can in selecting billboard locations.
(5) But could some of them be close to each other? I
(6) mean, certainly that's possible. Depends upon how
(7) many you buy in the market. If you buy a lot of
(8) them in the market, you're going to have more of
(9) them close together.
(10) Q: Is there a marketing reason for putting -
(11) for concentrating several billboards in a particular
(12) market?
(13) A: Well, again, you're trying to achieve
(14) communication of your message. You're trying to
(15) reach your target smoker. And, so, the more ads you
(16) have, the more ability you have to reach them. I
(17) mean - so, of course. You want to reach your
(18) target consumer, adult smoker.
(19) MR. SHONKA: I'm going to ask the court
(20) reporter to mark as the next exhibit - which I
(21) believe is Beasley 32.
(22) (Beasley Deposition Exhibit No. 32 was
(23) marked for identification.)
(24) MR. SHONKA: Beasley Exhibit 32 is a
(25) document bearing a caption "YAS OOH Plan." And it's

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(1) been previously marked in the underlying proceeding
(2) as CX-298.
(3) (Witness reviews document.)
(4) BY MR. SHONKA:
(5) Q: Have you had a chance to review Beasley
(6) Exhibit 32?
(7) A: Yes, I have.
(8) Q: Have you seen it before?
(9) A: I don't remember seeing it.
(10) Q: I ask you to take a look at the page that
(11) has a mark on the side, 91M03369. Do you see that?
(12) A: Yes.
(13) Q: If you - can you tell by looking at that
(14) page whether the subject matter concerns billboards?
(15) A: This looks like a proposal for an out of
(16) home plan, someone's idea on what they think an out
(17) of home plan ought to be. And so I would say out of
(18) home would include billboards.
(19) Q: All right. And what I'd like you to look at
(20) is near the bottom of the page. It says: (Reading)
(21) Multiple units in same -
(22) in same area/same line of
(23) sight not a problem.
(24) A: Yes, I see that. I see that.
(25) Q: Do you have an understanding as to whether

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(11) there's any marketing advantage programmed in having
(12) multiple billboards in the same area/same line of
(13) sight?
(14) A: You know, I don't think that's what they're
(15) referring to. I think what they're talking about -
(16) I don't know, because I didn't put this together.
(17) But I think what they're talking about is that,
(18) normally, when you - they go and contract for
(19) billboards, they say, you know, Make sure you cover
(20) the whole market well. And, you know, Don't buy all
(21) the billboards in the same place; make sure that you
(22) cover the whole market.

(23) And here they're saying, You can - you
(24) can't. You don't have to - in this proposal,
(25) they're saying you wouldn't have to adhere to that
guideline.

(26) Q: Yes. Above that it says, It goes beyond
QOH parameters.

(27) A: Right. So there you go. That.

(28) Q: Is it your understanding that traditionally
(29) you do not place multiple billboards in the same
(30) line of sight?

(31) A: Traditionally what you do is you say you
(32) want good market coverage, and you're only paying
(33) for so many billboards. So you don't want the

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(11) billboard company to go and buy all of them together
(12) and then you don't cover the whole market.

(13) Q: Yes. But why are there - or are there
(14) such - apparently there are situations where you're
(15) willing to have a lot of them in one place.

(16) A: Yes. I don't know; I didn't write this.
(17) But I suspect they were willing to because, just
(18) reading this, in their proposal what they're
(19) saying is that this would be incremental to the
(20) normal out of home showing.

(21) They'd already have the market covered.
(22) So they're saying that they could relax that
guideline.

(23) Q: Why would they do that? And, again, I'm not
(24) asking you why did the author of the document do -
(25) say this. I'm asking you why Reynolds might
consider -

(26) A: I don't know as Reynolds did consider this
(27) proposal; I don't know who saw it. But what I would
(28) say is that, if you already have the market
(29) covered - traditionally, your criteria would be:
(30) Get good market coverage.

(31) If you've already got good market coverage
(32) and you're adding incrementally to that market
(33) coverage, then you would be willing to relax that

guideline.

(34) Q: And why are you - why would you be willing
to relax that guideline?

(35) A: Because you already have the market
coverage.

(36) Q: From a strictly business point of view, does
that make sense?

(37) A: Yes.

(38) Q: If the market is covered fully already, then
can't Reynolds save money by not putting up
additional billboards?

(39) A: No. Again, you know, the - it's a question
of balancing how much money you have and how many
you can buy. Obviously, just like with magazine
ads, you'd like to buy more, but you only have so
much money. So it's always a balance on how much
the brand has to spend and how many you can buy.

(40) Q: Well, again, from a business point of view,
wouldn't it make more sense simply to take the money
out of a market that's already covered and put it in
one that is less fully covered?

(41) A: Well, just going through this, it sounds
like all the markets are already covered in this
proposal. It looks like what they're proposing is
national coverage, from what I read. But I don't

know.

(42) Q: Well, certainly Reynolds didn't have
billboards in the same line of sight throughout the
entire country.

(43) A: I don't know what you mean. Back in this
time, did we have line of - billboards in the same
line of sight?

(44) Q: In - did Reynolds ever - certainly
Reynolds never put up billboards in every location
where it had billboards where they were all in the
same line of sight.

(45) A: Of course not. Again, I told you, in
general, the parameter that's used is you want good
market coverage. That would be kind of like the
standard.

(46) Q: Is there an advantage to saturation
marketing in some instances?

(47) A: I don't know what you mean by "saturation
marketing." But there is an advantage to being able
to increase your reach and your frequency, how often
you communicate with your adult target smoker and
how frequently you communicate with them. That, of
course, is an advantage. But you only have so much
money.

(48) Q: And, so, more contact with consumers is

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[1] better than less?
[2] A: If you can get your message out more often
[3] to an adult smoker than less, that's certainly
[4] better.
[5] Q: There are advantages in repetition?
[6] A: There are advantages in repeated exposure to
[7] the message as well.
[8] Q: Okay. Do those advantages - are there
[9] advantages in repeated exposures to a message that
[10] run across media?
[11] A: I'm not sure what you're asking.
[12] MR. WILLIAMS: What do you mean, "across
[13] media"?

BY MR. SHONKA:

[14] [REDACTED] different advertising media. Do you
[15] understand "advertising media"?

[16] A: I think you're talking about magazines and
[17] billboards. Is that what you're talking about?
[18] Q: Well, let's talk magazine - let's talk
[19] about all sorts of media. What - what do you
[20] understand to include advertising media?
[21] MR. WILLIAMS: For cigarettes?
[22] MR. SHONKA: For cigarettes.
[23] THE WITNESS: For cigarettes right.
[24] [REDACTED] we use - [REDACTED] would include

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[1] magazines, billboards, newspapers. I mean, I guess
[2] in billboards I would say out of home, which is
[3] obviously billboards and transit.
BY MR. SHONKA:
[4] Q: Non-retail items?
[5] A: No. That's not part of advertising media.
[6] Q: Point of sale?
[7] A: No.
[8] Q: Point of sale displays?
[9] A: No.
[10] Q: The displays are not advertising media?
[11] A: That's - no. That's not advertising media.
[12] Q: The consumer goes into a convenience store
[13] and sees [REDACTED] Joe Camel sign over the register, that
[14] sign is [REDACTED] media?
[15] A: That is not advertising media. You were
[16] asking me my definition of advertising media. That
[17] is merchandising and point of sale.
[18] Q: All right. What's the term to describe the
[19] difference between out of home and merchandising -
[20] I mean, point of sale?
[21] A: That is it; it's out of home. It's print.
[22] Print can be magazines or newspapers.
[23] Then you have merchandising and you have
[24] point of sale.
[25] point of sale.

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[1] Q: Is it fair or proper to think of these as
[2] different formats or different - I tried
[3] "advertising media." You say that's not a proper
[4] term.
[5] A: It's not.
[6] Q: Okay. Is it fair to think of these as
[7] different formats?
[8] A: No.
[9] Q: I'm trying to find some term that would
[10] encompass the range of possibilities.
[11] A: Well, it's all the marketing of the brand.
[12] If you want to talk about everything the brand
[13] spends money on and everything the brand does,
[14] that's the total marketing program.
[15] Q: Okay. And are there advantages to Reynolds
[16] in having its advertisements seen across all the
[17] different marketing - potential marketing programs?
[18] A: Certainly I would say some advantages.
[19] There are also some disadvantages. You have to be
[20] very careful. You can't set a general rule like
[21] that.
[22] Q: How do you mean?
[23] A: Well, I was getting ready to tell you.
[24] Because of the space limitations and how an adult
[25] smoker might view it, you have to be very careful.

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[1] You can't literally deliver the same message.
[2] You know, on a coupon, you can't clutter it
[3] up with a bunch of communication. You have to
[4] communicate it's a price off.
[5] And, you know, on a merchandising rack in a
[6] store, you might have a piece that's that big
[7] (indicating). Well, you can't clutter it up with a
[8] bunch of junk or they won't notice anything. So, I
[9] mean, you have to adapt what you do to the vehicle
[10] you are working with.
[11] Q: Okay. Now, in addition to - we've talked a
[12] little bit about outdoor and transit. Point of
[13] sale, what does that encompass?
[14] A: That would be signs, inside and outside of
[15] the store.
[16] Q: All right. Does it include things like -
[17] does point of sale encompass all retail displays?
[18] A: No. That would be merchandising.
[19] You know, there's the actual racks that the
[20] cigarettes are put on, whether its packs or cartons.
[21] That's merchandising. Then the sign - there might
[22] be a sign on that display. That's point of sale.
[23] Q: Okay. So - but anything that goes on -
[24] well, is there a broader term that encompasses both
[25] merchandising and point of sale?

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(1) MR. WILLIAMS: She said it's marketing.
(2) THE WITNESS: Yeah, the overall term is all
(3) marketing programs. But inside the store you have
(4) merchandising, which is the racks that pack's or
(5) cartons go on. And then you have signs, which is
(6) point of sale. And there can be a sign on a
(7) merchandising unit.

BY MR. SHONKA:

(8) Q: All right. Earlier we had said that out of
(9) home has a couple of components, billboards and mass
(10) transit are there any others?

(11) MR. WILLIAMS: She's - you've asked that -

(12) MR. SHONKA: For out of -

(13) MR. WILLIAMS: - question. She said that's
(14) all she could recall.

(15) THE WITNESS: That's all I recall.

(16) MR. WILLIAMS: David, you're not listening
(17) to my answers.

BY MR. SHONKA:

(18) Q: Now, for retail, you have merchandising and
(19) point of sale. Is there anything else that takes
(20) place at retail?

(21) A: Yes.

(22) Q: What?

(23) A: We do promotions in the store.

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(1) Q: And promotions. What are included in
(2) promotions?

(3) A: There are endless different kinds of
(4) promotions.

(5) Q: Couponing?

(6) A: Sure, couponing.

(7) Q: By one/get one free?

(8) A: Yes.

(9) Q: I've seen an acronym, BSGSF, that's buy
(10) some -

(11) A: - get some free.

(12) Q: And that "S" can be any number, I take it?

(13) A: Right.

(14) Q: T-shirts?

(15) A: Well, like, buy two packs/get a free

(16) T-shirt. So you could have a premium with a product
(17) purchase. Yes, that's a possibility.

(18) Q: What is the mechanism by which Reynolds -
(19) and again focusing on - well, no, let's do
(20) Reynolds.

(21) What is the mechanism by which Reynolds gets
(22) retailers - convinces retailers to participate in
(23) the retail programs?

(24) A: We go into a store and we ask them to
(25) participate. And they usually want to.

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(1) Q: And anything else? We have point of sale,
(2) merchandising, promotions.
(3) A: Well, obviously you have your product there.
(4) I mean there's distribution of your product.

(5) Q: Anything else?

(6) A: That's all I can think of.

(7) Q: Product distribution is marketing,
(8) marketing program?

(9) A: Marketing and sales.

(10) Q: Okay. Now, you said that point of sale is
(11) the signage that might go in and around a store and
(12) on display racks.

(13) A: Yes.

(14) Q: Is it anything else?

(15) A: It's the - point of sale is the signage in
(16) and around the store. That's what it is.

(17) Q: That's all it is. That's everything.

(18) A: Well, that pretty much covers point of sale.

(19) MR. WILLIAMS: How could you get any
(20) broader?

BY MR. SHONKA:

(21) Q: And merchandising is display racks and what
(22) else?

(23) A: It's the displays that you put product in,
(24) the permanent racks product is in. It's -

(1) Q: Does Reynolds offer the - well, the other
(2) day you mentioned contracts between Reynolds and
(3) some retail outlets.

(4) A: Yes.

(5) Q: Does Reynolds have contracts with every
(6) retail outlet where it has displays?

(7) A: I would say generally that's true. There
(8) could be some exceptions where, you know, the store
(9) has a display because they were once on contract, or
(10) they're not on contract but they got a display and
(11) we're trying to convince them to come on contract.
(12) I mean, there would be exceptions. Generally the
(13) stores that have displays are the stores that we
(14) have on contract.

(15) Q: All right. What does the store receive from
(16) Reynolds in exchange for allowing Reynolds to
(17) display - have its merchandising programs - its
(18) retail programs in the store?

(19) A: Payment.

(20) Q: Anything else?

(21) A: We pay them to - we pay them for the
(22) privilege of merchandising our brands.

(23) Q: All right. When Reynolds has promotions,
(24) for example, T-shirts - buy two/get a free
(25) T-shirt - Reynolds has run such programs, has it

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[1] not?
[2] A: I don't remember if it was buy two or not,
[3] but we - buy some/get a T-shirt free we have run.
[4] Q: And you've done that in connection with the
[5] Joe Camel campaign?
[6] A: Yes, we did. I don't remember the exact
[7] purchase requirement, whether it was two packs or
[8] three packs or four packs. I don't remember.
[9] Q: Has Reynolds given the retailers any extra
[10] incentive or payment, over and above the set
[11] contract - the contract we've talked about, in
[12] order to participate in the promotions?
[13] A: There's - sometimes there's a promotion
[14] display payment. For promotions in general?
[15] Q: Yes?
[16] A: There's an overall contract. But you go
[17] into a store and you'll say: I want you to keep
[18] this promotion display up for month. And you'll
[19] say: I'll give you \$1.50 if you keep this display
[20] up for month. Something like that.
[21] It's, again, a merchandising payment, but
[22] it's for this one-time promotion.
[23] Q: \$1.50, I assume, is a hypothetical number,
[24] not ...
[25] A: No, I think - I can't remember

[1] extra display, there's often a display payment to go
[2] along with that.
[3] Q: Sure. But over and above the display
[4] payment, the redemption of coupons and things like
[5] that require some extra work on the part of the
[6] retailer. That's correct, right?
[7] A: It might. I mean, our sales force would do
[8] most of the work. I mean, they'll set it up for
[9] them and put it up, often.
[10] Q: At a minimum, though, the merchandiser has
[11] to collect - the retail person has to collect the
[12] coupons?
[13] A: If it's a coupon promotion, they collect the
[14] coupons and send them in to the coupon redemption
[15] center.
[16] Q: So the retailer collects the coupons and
[17] sends them to a redemption center?
[18] A: Yes.
[19] Q: Is the retailer paid anything for that extra
[20] work?
[21] MR. WILLIAMS: David - go ahead.
[22] THE WITNESS: There's a standard for all
[23] industries. If you're using coupons, there's a
[24] standard allowance that any retailer gets who
[25] processes a coupon. That's paid.

[1] exactly what it is.
[2] Q: Okay. Now, the - the fact is - is that
[3] T-shirts and other promotional items take up store
[4] space.
[5] A: That's just the product.
[6] Q: Yes. But the - the promotional items take up
[7] additional space besides the product?
[8] A: In addition to.
[9] Q: And does the - does Reynolds ever pay the
[10] retailer extra money because of the space in the
[11] store that is being occupied by the promotional
[12] items?
[13] A: Well, I told you that: You get a display
[14] payment. You know, there's a display payment. You
[15] could argue that's what it's for. But they - they
[16] take the promotion. They get it - and that's not
[17] always true. Sometimes you don't have a display
[18] payment, but sometimes you do.
[19] Q: Okay. What about - there are coupons and
[20] other offers given at the retail level to consumers;
[21] is that correct?
[22] A: Yes.
[23] Q: Are any special payments made to retailers
[24] to participate in the coupon programs?
[25] A: Well, again, if, you know, we put in an

[1] BY MR. SHONKA:
[2] Q: Does Reynolds ever have contests with
[3] retailers?
[4] A: Contests -
[5] Q: For returning coupons?
[6] A: For returning coupons?
[7] Q: Yes.
[8] A: I can't think of any.
[9] Q: Or for participating in any of the retail
[10] programs.
[11] A: They might. You know, that would be more
[12] usually - that would be like sales force programs.
[13] Like if they want their retailers to participate and
[14] they got a bunch of retailers together to try and
[15] compete, they might do that, yeah.
[16] Q: Okay. And what - when you say "they might
[17] do that," what sorts of things might they do?
[18] MR. WILLIAMS: David, it's a sales issue.
[19] You're talking to a marketing person. She's -
[20] BY MR. SHONKA:
[21] Q: Do you know?
[22] A: Again, I'm generally aware that they
[23] sometimes do contests with retailers. But I can't
[24] tell you any specifics.
[25] Q: Okay. What sorts of prizes are involved in

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(11) the contests?
(12) A: I can't really tell you specifics, because,
(13) really, this is - I just -
(14) Q: Are you aware -
(15) A: - can't recall.
(16) Q: - of things such as free trips?
(17) A: I don't know. They could have.
(18) MR. WILLIAMS: David.
(19) THE WITNESS: I just don't recall. I mean,
(20) sure, I've heard them talk about that they've had
(21) contests, but I don't really recall what they -
(22) what they were.
BY MR. SHONKA:
(23) Q: I wanted to talk to somebody about that,
(24) who would I have to talk to at Reynolds?
(25) A: I don't know. I'd have to think about it.
(26) Someone in sales.
(27) Q: Mr. Schindler came out of sales. I
(28) take it?
(29) MR. WILLIAMS: No.
(30) THE WITNESS: No.
(31) MR. WILLIAMS: Good try.
(32) THE WITNESS: No, I don't think he can't
(33) know. He's a do you, but I don't think he'd be
(34) the right person. That's a do you.

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(1) of marketing efforts yesterday.
BY MR. SHONKA:
(2) Q: And the promotions that are not retail, can
(3) you give me some examples?
(4) A: There's what is called an FSI, that's a
(5) freestanding insert. That's a coupon, delivered
(6) in - you know, when you get your Sunday paper and
(7) that thing falls out that's full of coupons, that's
(8) what that is.
(9) Then there are also coupons delivered
(10) through magazines with the ads. There are
(11) promotions delivered through direct mail. There are
(12) sweepstakes promotions. There are continuity
(13) promotions.
(14) Q: What's a continuity promotion?
(15) A: That's where you can collect some form of
(16) proof with purchase and you can turn those proofs in
(17) for something of value, like an item.
(18) Q: Is Camel Cash an example of a continuity
(19) program?
(20) A: Yes.
(21) Q: Could you describe for the record what Camel
(22) Cash is.
(23) A: It's a program where you collect proofs that
(24) are attached to the pack, and then you can turn

BY MR. SHONKA:
(1) Q: He was in sales, though, before he became
(2) president and -
(3) A: No, he wasn't in sales - he was in sales
(4) during his career for some amount of time, but not
(5) before he became head of the company.
(6) MR. WILLIAMS: Thanks for the heads up.
(7) MR. SHONKA: That really wasn't what I was
(8) going to do on that.
(9) MR. WILLIAMS: It's all very interesting.
BY MR. SHONKA:
(10) Q: I'm sorry. Let's back up.
(11) Who - who runs - who is in charge of sales
(12) now?
(13) A: Jim Maguire.
(14) Q: Jim Maguire.
(15) In addition to merchandising or retail
(16) programs and out of home, Reynolds also - does
(17) Reynolds also do other promotions?
(18) A: Yes.
(19) Q: And what form do promotions that are not at
(20) retail take?
(21) A: Well, there are many. I mean - what are
(22) you asking for?
(23) MR. WILLIAMS: She went through a whole list

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(1) those proofs in for free items.
(2) Q: What form do the proofs take in Camel Cash?
(3) A: It's a little piece of paper that's included
(4) in the pack of cigarettes, that's wrapped underneath
(5) the cellophane.
(6) Q: What - can you describe the appearance of
(7) the little -
(8) MR. WILLIAMS: You can buy one in a store,
(9) David.
(10) THE WITNESS: You mean the picture on it, or
(11) what are you asking?
BY MR. SHONKA:
(12) Q: What does it look like?
(13) A: It's just a little piece of paper and it has
(14) Camel graphics on it, and it explains, you know, the
(15) rules and stuff.
(16) Q: Now, you say consumers can turn those in for
(17) merchandise?
(18) A: Yes.
(19) Q: Did Camel Cash ever work by allowing
(20) consumers to turn the coupons - is that a correct
(21) term?
(22) A: You can use that. That's fine.
(23) Q: Okay. Did Camel Cash ever work by allowing
(24) consumers to turn the Camel Cash coupons in to

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111) retailers for redemption?
112) A: I think that there was one test program of
113) that. I mean, I can't say it's been anything
114) general that has happened, but I have a vague
115) recollection of a test of that.
116) Q: Okay. If that did happen, it was not a big
117) part of the Camel Cash program?
118) A: No.
119) Q: All right. Has Camel Cash then worked only
120) through mail order? Is mail order a proper term
121) here?
122) A: I would say that's a proper term.
123) Q: Has Camel Cash worked exclusively through
124) mail order? apart from the test that you just
125) described.
126) A: That's how you get the items. That's the
127) physical way you get the items: You send your
128) proofs in and we send you something back.
129) Now, the Camel Cash catalogs obviously
130) appear in many different places.
131) Q: For a consumer to collect Camel Cash, has
132) the exclusive way of getting the Camel Cash been
133) through buying the product?
134) A: That's been the vast majority of it. I
135) think there's been a few promotions we ran through

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111) direct mail where we sent you some bonus ones to add
112) to the ones you already had. But the vast majority
113) are attached to the pack.
114) Q: Okay. Besides Camel Cash, are there other
115) continuity programs that Reynolds has run under the
116) Joe Camel campaign?
117) A: You mean featuring the Joe Camel campaign?
118) Because Camel Cash didn't - I mean, Camel Cash is
119) separate from the campaign. One thing is an
120) advertising campaign. Camel Cash is a promotion.
121) And so are there other continuity promotions
122) that Camel has run? Is that what you're asking?
123) Q: Well, no. I'm confused.
124) You say that the Camel Cash was not part of
125) the Joe Camel campaign?
126) A: No. The Camel Cash programs ran while the
127) Joe Camel campaign was running. But there's an
128) advertising campaign. That's one thing. Set that
129) aside. Then there are promotions for a brand, like
130) Camel Cash is a promotion.
131) Q: Now, Camel Cash did feature Joe Camel, did
132) it not?
133) A: It often featured images from the
134) advertising. But it is not the advertising. It's a
135) promotion.

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111) Certainly it didn't feature that
112) exclusively, but it was integrated in sometimes.
113) Q: All right. So, apart from Camel Cash, are
114) there other continuity programs that Reynolds ran
115) during the Joe Camel advertising campaign?
116) A: Okay. Are you asking - I'm only trying to
117) find out here - are you asking are there other
118) continuity programs that have run on Camel during
119) the same period of time that the Joe Camel
120) advertising campaign was running?
121) Q: Yes.
122) A: Okay. Yes, there were other ones. There
123) was that Camel Regular 80th anniversary celebration,
124) which I think was a continuity program. It may
125) not - no, it wasn't either. Well, I can't remember
126) actually. It could have been for money; it could
127) have been for proofs. I can't remember. I just
128) can't tell. I can't remember.
129) Q: Okay. Anything else besides the 80th -
130) MR. WILLIAMS: She said she couldn't
131) remember.
132) BY MR. SHONKA:
133) Q: I misunderstood you. I thought you said
134) that the 80th was - that you didn't remember if the
135) 80th was part of the continuity programs.

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111) A: Yeah, I don't remember if it required proofs
112) or you could buy the items for cash. I don't
113) remember that.
114) There may have been other continuity
115) programs. I mean, Camel Cash is obviously the big
116) one. Did they have other little programs over time?
117) I wasn't on Camel the whole period, so I can't tell
118) you. I mean, I don't remember any others.
119) Q: To your knowledge, did they ever run a
120) continuity program - "they" being the Camel brand,
121) run a continuity program that did not integrate some
122) of the Joe Camel advertising?
123) A: I don't know. You'd have to go back and
124) look at them all.
125) Q: Okay. What's the purpose of the continuity
126) program?
127) A: It's, again, to reinforce franchise loyalty
128) so that they do not switch away from our brand to a
129) competitive brand. So it helps protect your
130) franchise from switching away to another brand. And
131) it's also used to try and get competitive switchers
132) to switch to, in this case, the Camel brand, adult
133) smokers.
134) Q: Is it fair to think of it as an incentive
135) for consumers to purchase the brand?

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(1) A: No. It's as I described. It is an incentive for franchise smokers to stay loyal to the brand and not switch away, and it is an incentive for competitive smokers to switch to the Camel brand.

(2) Q: What are bounce-backs?

(3) A: That's kind of a generic term. But let me give you kind of a general definition. It probably doesn't apply completely.

(4) But a bounce-back is normally where you do a promotion, and then there's a second promotion attached to it. So you buy this promotion - let's say, just for the sake of argument - I'm going to give you an example, all right?

(5) Q: Sure.

(6) A: Would be, you know, fifty cents off two packs in a store. And, then, sandwiched between the two packs is a coupon for your next purchase. That could be a bounce-back because it's a second offer in addition to the first.

(7) So generally a bounce-back is thought of as a second offer in addition to the first.

(8) Q: Is it fair to think of the bounce-back as being a surprise to the consumer?

(9) A: Not necessarily. Often you announce it.

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(1) Q: Okay.

(2) A: Sort of - sometimes I think you don't. But usually it's announced because you want them to know it's there.

(3) Q: Are bounce-backs ever given unannounced?

(4) A: That probably has been done. But I think they're usually announced.

(5) Q: When they have been used, unannounced - when bounce-backs have been used, unannounced, what is the purpose of that?

(6) A: Well, again, I can't recall any time it has.

(7) I think generally you announce that -

(8) MR. WILLIAMS: There's no foundation to the question.

(9) THE WITNESS: I just can't recall a specific one where it hasn't been announced. I'm not saying it's not possible, but I just don't recall a specific when it hasn't been announced.

BY MR. SHONKA:

(10) Q: Are bounce-backs sometimes sent to consumers who purchase merchandise through the Camel Cash Catalogs?

(11) A: Is - you mean like purchase for money? Or are you saying send in proofs -

(12) Q: For redeeming Camel Cash.

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(1) A: When they send in proofs to get merchandise, is a second offer for the brand sent?

(2) Q: Yes.

(3) A: It's possible. I don't recall any, but it's certainly possible.

(4) Q: Do you know whether that's been done or not?

(5) A: No.

(6) Q: Who would know?

(7) A: No. I mean, there's no one person I could tell you. You'd have to ask everybody who's worked on Camel over the years. I mean - and I don't even know if they'd remember.

(8) MR. WILLIAMS: Well, he's already done that.

(9) Okay?

(10) THE WITNESS: Okay. So ...

BY MR. SHONKA:

(11) Q: Who's in charge of -

(12) MR. WILLIAMS: Bounce-backs?

BY MR. SHONKA:

(13) Q: - bounce-backs?

(14) A: There's no way to tell you that.

(15) MR. WILLIAMS: David, this is all very interesting, but does it have anything to do with our case?

(16) MR. SHONKA: It has a lot to do with it,

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(1) John.

BY MR. SHONKA:

(2) Q: Can you - backing up with Camel Cash, redemptions, can you obtain merchandise from the Camel Cash catalogs without Camel Cash?

(3) A: You know, I can't tell you for sure. I'd have to look back at every Camel Cash catalog. But, in general, we haven't done that. In general, it's been just strictly for proofs.

(4) This very most recent catalog, we included an option to buy the merchandise.

(5) Q: Is Camel Cash still being - still in use?

(6) A: Yes. The Camel Cash promotion is still running, yes.

(7) Q: Okay. And does it still feature any of the Joe Camel campaign elements?

(8) A: Yes. It still features - the current catalog is a Camel collectibles catalog, so it spans the Camel brand's whole history. And, of course, Joe Camel was part of that history from 1913 to the present. So it includes items from all through Camel's history.

(9) Q: All right. But in terms of Camel Cash, is that still being used? Camel Cash meaning the proof of purchase that -

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(11) A: There's still a piece of paper on the back
(12) of the pack with Camel graphics on it. It's not Joe
(13) Camel graphics, but there are graphics on it.
(14) Q: All right. Now, in addition to the out of
(15) home and the retail displays and various promotions,
(16) does Reynolds also do field marketing?
(17) A: Yes.
(18) Q: And what - what is involved in field
(19) marketing?
(20) A: Well, field marketing is one of those kind
(21) of generic terms. So set that term aside. But we
(22) will sponsor events, that sort of thing.
(23) Q: Sponsoring events. By that do you mean
(24) sporting events?
(25) A: Well, it could be a sports event. It
(26) could be just an event. It wouldn't have to relate
(27) to sports.
(28) Q: All right. What sorts of events are covered
(29) by -
(30) A: By what?
(31) Q: Well, I started to say field marketing, but
(32) you said "set that term aside." So let's talk - is
(33) it fair to think of these as special events? Is
(34) that a better term than field marketing?
(35) A: You could call them special events. I would

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(1) just call it events. Event marketing.
(2) Q: Event marketing. Okay.
(3) Can you give me examples of event marketing?
(4) A: Sure. You know, like the Winston Cup NASCAR
(5) series would be an example of event marketing. We
(6) have programs that we do in adult bars that would be
(7) an example of marketing.
(8) Q: Let's talk about the event marketing that
(9) took place during the Joe Camel campaign. What
(10) events were run during that time? Types of events.
(11) A: What time period are we talking about? This
(12) 1988 to last year, or -
(13) Q: Yes.
(14) A: Well, at best, I can give you a recollection
(15) here. There's just no way I can list everything.
(16) Q: Well, I'm not asking for specific events,
(17) but types, if you can.
(18) A: Types of events?
(19) Q: Yes.
(20) A: Types of events would be, you know, like in
(21) adult bars. That would be a type of event. There
(22) was Camel-sponsored racing for a while - well, was
(23) that in - I think it was. I think it was in '88.
(24) This is from 1988 to 1997, right?
(25) Q: Yes.

(1) A: Okay.
(2) So, racing events, adult bars. I'm trying
(3) to remember. Pool events in adult bars. I mean,
(4) that's kind of a subset, but -
(5) Q: How about - does that include professional
(6) sporting events at all?
(7) A: Professional sporting events. I don't know
(8) what your definition of that is. Camel sponsored a
(9) GT series. I guess you could call that a
(10) professional sporting event.
(11) Q: GT meaning -
(12) A: That's a type of racing.
(13) MR. WILLIAMS: She's already said the
(14) Winston Cup.
(15) MR. SHONKA: I asked about the Camel brand.
BY MR. SHONKA:
(17) Q: I assume the Winston Cup is not part of the
(18) Camel promotion.
(19) A: It is.
(20) Q: It is?
(21) A: Camel sponsored a car in the NASCAR Winston
(22) Cup Racing.
(23) Q: Okay. Camel sponsored a car. All right.
(24) A: Yes.
(25) MR. WILLIAMS: David, this was all covered

(1) at length with Cliff Pennell, who's in charge of the
(2) sports marketing now.
(3) MR. SHONKA: I'm done with it anyway.
(4) MR. WILLIAMS: All right.
BY MR. SHONKA:
(6) Q: How about - at one time you were in charge
(7) of special markets?
(8) A: Yes.
(9) Q: Were event marketing - again, focusing on
(10) the Camel brand, Joe Camel campaign period, did
(11) Camel sponsor events - the Camel brand sponsor
(12) events during that - in special - for special
(13) markets?
(14) A: Yes.
(15) Q: What form did those take?
(16) A: It's a long time ago. I'm thinking that, in
(17) general, they would have been special - like
(18) Hispanic events. And we would have been a sponsor
(19) of that Hispanic event. And it could have been
(20) Camel. It could have been more than one brand. I
(21) can't tell you it was just Camel. I just don't
(22) recall all the specifics of it.
(23) Q: To the extent Camel participated in those
(24) events, did imagery from the Joe Camel ad
(25) campaign - was that part of the special events?

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[1] A: I imagine sometimes it was. But, you know,
[2] I can't tell you that we always used that, no.
[3] Q: And for the special events, for the - you
[4] mentioned fairs, I believe?
[5] A: No.
[6] Q: You didn't?
[7] A: No. Hispanic events.
[8] Q: Hispanic events.
[9] Would that - did that include things like
[10] county fairs?
[11] A: I don't know. I don't remember county
[12] fairs. I'm thinking Hispanic events, meaning, like,
[13] festivals and things that would be around the
[14] Hispanic culture. I don't really remember county
[15] fairs.
[16] Q: All right. Is this - the Hispanic events
[17] more - is that a regional phenomena?
[18] A: Yes.
[19] Q: What part of the country?
[20] A: Where Hispanics are.
[21] Q: And principally, for Reynolds and Camel,
[22] where is that?
[23] A: Well.
[24] MR. WILLIAMS: I'm sorry. Where Hispanics
[25] live have nothing to do with Reynolds and Camel. I

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[1] focus its Hispanic events?
[2] A: Well, again, it was where the Hispanic
[3] population was concentrated.
[4] Q: Can you name a state?
[5] A: Well, there are several states. I mean, you
[6] would talk - if you're asking for the areas of the
[7] country, it would be like the Southwest, West,
[8] certainly Florida. There are pockets in the
[9] Northeast, New York and Chicago, and - I mean, it's
[10] where you would find a high concentration of the
[11] Hispanic population, and then you would find
[12] specialized Hispanic events.
[13] Q: Do other brands besides Reynolds -
[14] MR. WILLIAMS: Hold on. Other brands
[15] besides -
[16] MR. SHONKA: I'm sorry.
BY MR. SHONKA:
[17] Q: - besides Camel offer continuity programs?
[18] A: Gosh, I think almost every brand of
[19] cigarettes has a continuity program.
[20] Q: Is there anything comparable in scope to the
[21] Camel Cash program?
[22] A: I'd say there are ones that are a lot
[23] bigger.
[24] Q: What are those?

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[1] don't understand the question.
[2] THE WITNESS: Yeah. Are you asking me where
[3] Hispanics live in the United States? Because that's
[4] what I was going to answer.
[5] MR. SHONKA: No.
[6] THE WITNESS: Sorry.
BY MR. SHONKA:
[7] Q: You said that when you were in special
[8] markets -
[9] A: Yes.
[10] Q: - or Camel participated in some
[11] events - in event marketing for the - for
[12] Hispanics. My question is: Did those event
[13] marketing - were they more common in some parts of
[14] the country than in others?
[15] A: Yes. They're more common where Hispanics
[16] live.
[17] Q: And - so that you understand, my impression
[18] is Hispanics live all over the country. So the
[19] question is -
[20] A: Well, that's not - I mean, certainly there
[21] are some Hispanics living all over the country, but
[22] the Hispanic populations are concentrated in
[23] geographical areas in the country.
[24] Q: In which geographical areas did Reynolds

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[1] A: Marlboro has like a really big one.
[2] Q: No. I was asking for Reynolds.
[3] A: Oh, you're asking Reynolds brands. I'm
[4] sorry. I thought you were asking about the
[5] industry.
[6] MR. WILLIAMS: He doesn't want to hear about
[7] Marlboro. That's not part of the case.
[8] THE WITNESS: So - I'm sorry. The question
[9] was for Reynolds brands -
[10] MR. SHONKA: Yes.
[11] THE WITNESS: - do we have other continuity
[12] programs?
[13] MR. SHONKA: Yes.
[14] THE WITNESS: Yes. Doral has a continuity
[15] program.
BY MR. SHONKA:
[16] Q: Any other brand?
[17] A: Yes. Winston has had one. Certainly Salem
[18] has had them, off and on. And I think Vantage has
[19] even - yeah, I think Vantage has even - and,
[20] actually, I think we did one on More, too. So -
[21] it's possible there was one on Now, too. I'm not
[22] saying there wasn't.
[23] It's pretty standard. I mean, if you look
[24] across the marketplace, again, I think like nearly

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(11) every full-price brand and most of the savings
(12) brands have continuity programs. It's a standard
(13) promotion practice.
(14) Q: Are any of the continuity programs run by
(15) Salem, Winston, More, Vantage, to your knowledge, or
(16) Now, of the same size as the Camel Cash program?
(17) A: Doral's is probably the same size. You
(18) know, I don't remember the numbers exactly, but I
(19) would say it's probably about the same size.
(20) Q: And all the others are smaller than the -
(21) A: Well, Winston - you know, not this year,
(22) but there are years when Winston was probably close.
(23) We don't have as big a program on Winston this year,
(24) but we have in other years. And you're talking
(25) about this period 1988 to the present,
right?
(26) Q: Yes, yes.
(27) A: Okay.
(28) Q: Camel Cash, when did that begin?
(29) A: I'm thinking it was around '92. I'm not
(30) positive of the date, but I'm thinking it was around
(31) '92.
(32) Q: '92. And you said it continues today?
(33) A: Yes.
(34) Q: So it's had about a six-year run?

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(1) A: About that. If I'm right on '92, I could
(2) be off, but -
(3) Q: Approximately. I'm not looking for months.
(4) A: I think it was that.
(5) Q: All right. Has the Doral campaign run as
(6) long?
(7) A: It's run a long time. I don't know.
(8) Q: Do you know when it began?
(9) A: No.
(10) Q: How about Winston's continuity programs?
(11) Did they -
(12) A: Winston's had them off and on for years and
(13) years.
(14) Q: Has - has it run them continuously for the
(15) past six years?
(16) A: Well, there's been continuous continuity
(17) programs, but because Winston's been doing -
(18) Winston hasn't had like a consistent marketing
(19) effort every year, so the programs have been
(20) different every year. Well, not every year. Maybe
(21) they were the same two years in a row, but in - you
(22) know, it's been changed around more on Winston.
(23) Q: Let's go back to the term "field marketing."
(24) Is there such a thing as field marketing?
(25) A: Well, again, you know, it's one of those

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(1) terms that has been used different ways at different
(2) times. But the most generic definition of it would
(3) be it's marketing that is done out in the field.
(4) Field marketing.
(5) Q: Has, to your knowledge, Reynolds sometimes
(6) used its field - Reynolds has a field marketing
(7) force; is that correct?
(8) A: A field marketing force? No. I don't know
(9) what you're talking about.
(10) Q: It has a sales force?
(11) A: Our company has a sales force, yes.
(12) Q: And the sales force are salesmen who go into
(13) retail outlets; is that it?
(14) A: That's right.
(15) Q: Has Reynolds ever used the sales force for
(16) field marketing?
(17) A: Occasionally, uh-huh.
(18) Q: Has Reynolds used the sales force for field
(19) marketing in connection with the Joe Camel campaign?
(20) A: In connection with the Joe Camel campaign?
(21) You mean like working on advertising or - you mean
(22) on the -
(23) Q: During the pendency of the Joe Camel
(24) campaign.
(25) A: While the Joe Camel campaign was running,

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(1) did we have our sales force work in field marketing
(2) on Camel brand? Is that what you're asking?
(3) Q: Yes.
(4) A: I'm trying.
(5) Q: Yes.
(6) A: I can't recall anything specific. I mean,
(7) it's certainly possible. I just can't recall
(8) anything specific.
(9) Q: Do you recall any programs where Reynolds
(10) instructed its sales force to intercept consumers in
(11) retail outlets?
(12) A: Oh, yes. We have a competitive conversion
(13) program for our sales force, yes.
(14) Q: Competitive conversion program?
(15) A: Yes.
(16) Q: What is that?
(17) A: That's where we ask - it's not one of their
(18) top priorities, but it's one of the things we ask
(19) our sales force to do. And that's, if they're in a
(20) store, calling on the store, and they see a
(21) competitive smoker buy a competitive brand, then we
(22) ask - if they have time, because they have other
(23) priorities, but if they have time, we ask them to
(24) approach that competitive smoker and - you know,
(25) the same guidelines as we use in general, which is

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(1) they have to ask is it a smoker 21 years of age,
(2) identification from the smoker, and then if the
(3) person would like to exchange their competitive pack
(4) they just bought for, usually, two packs of ours.
(5) So you can kind of get two packs of ours for one of
(6) theirs, if you're willing to turn your competitive
(7) pack in.

(8) And the whole idea is for the salesmen to
(9) have a chance to talk about how good our brands
(10) taste and that this person ought to switch to our
(11) brand.

(12) But I don't call that field marketing. So,
(13) like, if you were thinking that's field marketing, I
(14) don't really think of it that way.

(15) Q: That is a competitive conversion program?

(16) A: Yes.

(17) Q: All right.

(18) A: And you know, they can give coupons to the
(19) franchisee like, if they're converting, let's say,
(20) a Marlboro smoker to Winston and the Winston smoker
(21) walks in and sees that the Winston salesman is there
(22) trying to convert them and give them something, then
(23) we tell them, you know, you obviously don't want to
(24) make a Winston smoker angry because they didn't get
(25) anything. I mean, so they have that flexibility.

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(1) Q: "No, this isn't for you." You don't say
(2) that.

(3) A: Right. I mean, you can't do that.

(4) Q: Does the competitive conversion program -
(5) has the competitive conversion program featured
(6) particular brands at various times?

(7) A: In general, it features - they feature any
(8) of our brands. But we - we think we have more
(9) conversion potential with some brands than others,
(10) so they spend more time on those brands.

(11) Q: What are those brands that have more
(12) conversion potential?

(13) A: Well, Doral, like, right up there. Number
(14) one probably and then certainly our big brands:
(15) Winston, Camel, Salem. I mean, those are our larger
(16) brands, so - it doesn't mean they can't do the
(17) other brands, but we think we have more potential to
(18) convert smokers to those brands.

(19) And, you know, if we're talking, again, all
(20) the way '88 to the present, there would be other
(21) brands, too. I mean -

(22) Q: Has the competitive conversion program been
(23) in place - well, how long has it been in place?

(24) A: As long as I can remember. You know, the
(25) materials have been changed over time or, you know,

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(1) an offer might be changed, you know, so things are
(2) updated. But as the sales force - I think the
(3) sales force has been doing this for as long as I can
(4) remember.

(5) Q: All right. To your knowledge, has Reynolds
(6) ever received complaints about field marketing -
(7) I'm sorry - about its sales force intercepting
(8) underage smokers?

(9) A: No. You mean with the competitive
(10) conversion program?

(11) Q: Yes.

(12) A: No.

(13) Q: Does the name Becky Burlington mean anything
(14) to you?

(15) A: Becky Burlington? Yes.

(16) Q: Who is that?

(17) A: I think she - you know, I mean - okay.

(18) It's one thing to know the name; it's another thing
(19) to know exactly what she does.

(20) I think she's in the R & D department maybe.

(21) Maybe I'm wrong. I just can't remember.

(22) Q: To the best of your knowledge, is she a
(23) current employee?

(24) A: I don't know.

(25) Q: How do you recognize the name?

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(1) A: I just remember, I think, like working with
(2) her. But I - you know, it's a vague recollection.
(3) I'm thinking maybe R & D, but I could be wrong on
(4) that.

(5) Q: Do you have any recollection of when you may
(6) have worked with her?

(7) A: No. It's just, again - I don't think it
(8) was recently, because it's kind of a vague
(9) recollection, but - I can't remember.

(10) MR. SHONKA: We've been going about an hour
(11) and a half. Do you want to take a few minutes
(12) break?

(13) MR. WILLIAMS: Sure.

(14) (Recess taken from 10:28 p.m. to 10:40 p.m.)
BY MR. SHONKA:

(15) Q: Ms. Beasley, we touched very briefly on the
(16) other - on whether other brands run continuity
(17) programs, a few minutes ago. Do you remember that?

(18) A: Yes.

(19) Q: Do any of the other brands offer catalogs or
(20) have - offer merchandise through catalogs?

(21) A: Yes, we have had catalogs on other brands.

(22) Q: Which ones?

(23) A: Well, Winston has had a catalog. Salem has
(24) had one. I mean -

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(1) Q: Okay. The Joe Camel campaign has been
(2) ended; is that correct?
(3) A: Yes.
(4) Q: When?
(5) A: We stopped running it last year.
(6) Q: Do you remember when?
(7) A: Well, it was a transition period. It wasn't
(8) like there was one specific day. But we started -
(9) in the second half we were transitioning out of it.
(10) Q: All right. What is the name of Reynolds'
(11) current advertising campaign?
(12) MR. WILLIAMS: For Camel?
(13) MR. SHONKA: For Camel.
(14) THE WITNESS: For Camel. What You're
(15) Looking For and Mighty Taste.
BY MR. SHONKA:
(16) Q: And when did it - when did those - is that
(17) two campaigns or one?
(18) A: Two.
(19) Q: Were they both - is launched an appropriate
(20) term?
(21) A: Yes.
(22) Q: Were they both launched at the same time?
(23) A: No.
(24) Q: When was What You're Looking For launched?

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(1) A: I'm thinking it was about, roughly, March of
(2) last year.
(3) Q: Is that still running?
(4) A: Yes.
(5) Q: And Mighty Taste, when was that launched?
(6) A: Mighty Tasty.
(7) Q: Mighty Tasty.
(8) A: That would be within the month.
(9) Q: What does the Mighty Tasty campaign feature?
(10) A: Mighty Tasty line and people, essentially -
(11) I mean, there's people in it and our product.
(12) MR. WILLIAMS: There's a billboard right
(13) outside this building, if you want a visual.
(14) MR. SHONKA: I hadn't noticed. I'll mark
(15) that as an exhibit.
BY MR. SHONKA:
(16) Q: Who decided - again, let me make sure our
(17) terminology is right. Is terminate an
(18) appropriate word for what's happened with the Camel
(19) campaign?
(20) A: Ended, sure.
(21) MR. WILLIAMS: Retired.
(22) THE WITNESS: Retired. Okay.
BY MR. SHONKA:
(23) Q: I always have this image when I hear

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(1) retired, with Joe Camel: Joe Camel with a gold
(2) watch and company service.
(3) MR. KACZYNKI: In Boca.
(4) MR. WILLIAMS: Sitting on the beach.
BY MR. SHONKA:
(5) Q: Who made the decision to end the Joe Camel
(6) campaign?
(7) A: I would say it was Andy Schindler. I mean,
(8) I recommended it, but I would say that the - who
(9) actually made the decision?
(10) Q: Yes.
(11) A: Andy.
(12) Q: You had testified earlier that - strike
(13) that.
(14) Are the current campaigns part of any effort
(15) to reposition the Camel brand?
(16) A: No.
(17) Q: Before the - when was the decision made to
(18) end the Joe Camel campaign?
(19) A: Sometime last year, probably first half last
(20) year.
(21) Q: How long had the replacement campaigns been
(22) in development?
(23) A: I would say probably a couple of years,
(24) roughly. I mean, I could be off on that.

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(1) Q: Had Reynolds been looking for a replacement
(2) for the Joe Camel campaign for some time?
(3) A: Well, we'd been working on it, as I said,
(4) for, I think, a couple of years.
(5) Q: Yes. But had you been looking for a
(6) replacement campaign even before the current
(7) campaigns were -
(8) A: We'd been doing work on a backup campaign.
(9) Q: Since when?
(10) A: Oh, gosh, I don't know. Maybe for - you
(11) know, you're always working on alternative ideas.
(12) So I don't know exactly when, but for quite a while.
(13) Years.
(14) Q: Is Reynolds working on an alternative to the
(15) two current campaigns for Camel?
(16) A: Well, we just launched Mighty Tasty this
(17) month, so that's it.
(18) Q: There are no other alternatives in the
(19) pipeline or under development?
(20) MR. WILLIAMS: I'm not sure how that's
(21) relevant. How is that relevant? David, you're into
(22) real proprietary information.
(23) MR. SHONKA: I'm not going far with it, but
(24) I do want an answer.
(25) THE WITNESS: We just launched this campaign

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[10] this month. So we don't have another one, other
[11] than the one we launched this month.

BY MR. SHONKA:

[12] Q: When did you reach the decision that the Joe
[13] Camel campaign should be ended?

[14] MR. WILLIAMS: Well, she said she made the
[15] recommendation.

[16] MR. SHONKA: Yes. So I'm asking when she
[17] made the decision to make the recommendation.

[18] THE WITNESS: It would have been last year.

BY MR. SHONKA:

[19] Q: Did you make that decision alone or in
[20] consultation with other people?

[21] A: Well, Fran and I certainly talked about it.

[22] Q: Fran Creighton?

[23] A: Yes.

[24] Q: Anybody else?

[25] A: I would say that - that would be key.

[26] Obviously there were broader discussions later on.
[27] But you're saying who did I consult with to make the
[28] recommendation?

[29] Q: Yes.

[30] A: I would say Fran would be the key person.

[31] Q: Was this a decision that was made in one
[32] meeting or was it over a period of weeks and months?

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[1] Q: Were there any other reasons?

[2] A: I mean, those were the key reasons.

[3] Q: Why did you view the What You're Looking For
[4] campaign as a better campaign than Joe Camel?

[5] A: Because we had done focus groups on it and
[6] we got a very positive reaction from adult smokers.

[7] Q: Any other reason?

[8] A: Well, that - that would be why, because
[9] adult smokers liked it.

[10] Q: Did you do quantitative studies?

[11] A: We did a quantitative study, yes.

[12] Q: And what did that study compare?

[13] A: The Joe Camel campaign to What You're
[14] Looking For campaign.

[15] Q: What was the result of that study?

[16] A: Well, I mean, there was - it was a big
[17] study. There was a lot of results. I mean, we
[18] concluded from both the focus groups and the
[19] quantitative survey that we had a campaign that was
[20] better.

[21] Q: Who developed the What You're Looking For
[22] campaign?

[23] A: At Reynolds?

[24] Q: Yes.

[25] A: At Reynolds it would have been - the key

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[1] A: It was certainly at least weeks. I don't
[2] know about months.

[3] Q: Do you recall any of the conversations
[4] between you and Fran Creighton?

[5] A: Yes.

[6] Q: What was her view on terminating - on
[7] terminating the campaign?

[8] A: We agreed. We both agreed. We felt like we
[9] had a better campaign and that it would be good to
[10] launch it.

[11] Q: Did you - did Fran come up with the idea
[12] first for ending the campaign, or did it evolve out
[13] of discussions?

[14] A: I would say it evolved out of discussions.

[15] I mean, I don't know really if I can say.

[16] Q: What were the reasons for terminating - for
[17] your decision?

[18] A: I would say that a key reason was that we
[19] felt like we had a better campaign to run for Camel.
[20] I would say also we were concerned that the constant
[21] misinformation in the media of Joe Camel targeting
[22] kids or that campaign targeting kids - which isn't
[23] true and has never been true - we were concerned
[24] that it had the potential to negatively affect adult
[25] smokers of Camel.

[1] person would have been Fran Creighton.

[2] Q: And who made the decision to run the What
[3] You're Looking For campaign?

[4] A: Well, that was Andy Schindler. I mean,
[5] again, we recommended it, but Andy has the decision.

[6] Q: Sure.

[7] Yesterday we spoke about the presentations
[8] that you made all the way up the line, all the way
[9] up to Mr. Horrigan. And I take it, today, that the
[10] equivalent of Mr. Horrigan is Mr. Goldstone?

[11] MR. WILLIAMS: Whoa, whoa, whoa. Whatever
[12] you take -

[13] THE WITNESS: No.

[14] MR. SHONKA: No. Well, I'm asking. I said,
[15] Is that correct?

[16] THE WITNESS: No.

[17] MR. SHONKA: No. Okay.

BY MR. SHONKA:

[18] Q: And why is that?

[19] A: Because I believe, at the time - I'm just
[20] trying to recall, but -

[21] Q: Sure.

[22] A: - Mr. Goldstone is head of RJR Nabisco, and
[23] I think his counterpart at that time was Ross
[24] Johnson, who was head of RJR Nabisco.

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(11) You know, there - we just had more levels
(12) then.
(13) Q: All right.
(14) MR. WILLIAMS: David, you're also dealing
(15) with a different company after the KKR takeover,
(16) too -
(17) MR. SHONKA: No, I appreciate that.
(18) MR. WILLIAMS: - all the way up.
(19) BY MR. SHONKA:
(20) Q: You say that you and Fran Creighton together
(21) reached the decision to terminate the Joe Camel
(22) campaign?
(23) A: Yes. To end the Joe Camel campaign, yes.
(24) Q: And you reached that decision sometime in
(25) the [REDACTED] half of last year?
(26) A: I would say that's approximately right.
(27) Q: Before you and Fran Creighton reached the
(28) decision had you discussed terminating the campaign
(29) with anybody above you at Reynolds?
(30) A: Sure. Over the years, yes. Specific to
(31) that What You're Looking For campaign and the Joe
(32) Camel campaign, I think Fran probably
(33) discussed it first. But, over the years, certainly.
(34) Q: Did Mr. Schindler at any time suggest to you
(35) that you ought to think about ending the campaign,

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(11) essence of it.
(12) Q: Do you recall any of the conversation?
(13) A: We told him our perspective and he agreed.
(14) Q: Can you paraphrase anything that he said?
(15) A: I think you're right. I agree.
(16) That would be a paraphrase. I mean, I don't
(17) know if he used those exact words. But ...
(18) Q: How long did you meet with him?
(19) A: Oh, gosh, I don't know. Again, we had
(20) discussions. I'm sure we had more than one
(21) discussion. But, you know, I couldn't even - I
(22) couldn't tell you.
(23) Q: And in all the discussions, all he said was,
(24) I think you're right?
(25) MR. WILLIAMS: No, no, no, no, no, no. No.
(26) MR. SHONKA: No?
(27) MR. WILLIAMS: All she can recall is that he
(28) agreed with the -
(29) THE WITNESS: I was paraphrasing the
(30) essence, which you asked me for, and the essence of
(31) it was: I agree.
(32) BY MR. SHONKA:
(33) Q: Did he ask any questions?
(34) A: Oh, certainly. He would have asked
(35) questions about, you know, the What You're Looking

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(11) Joe Camel campaign?
(12) A: I don't know if he suggested to me that I
(13) think about ending it. Over the years we've had
(14) discussions about whether we should or not.
(15) Q: After you and Fran Creighton reached your
(16) decision, what did you do next?
(17) A: Well, we - we talked to Andy about it.
(18) Q: When did you do that?
(19) A: I don't know. Again, I'm just like
(20) probably during the first half. I mean, you know,
(21) once we decided, we went and talked to Andy about
(22) it.
(23) Q: Did you have more than one meeting with
(24) Mr. Schindler?
(25) A: Probably. Although, you know, I can't
(26) recall specifics. I mean, I don't know if they'd
(27) even call them meetings. We certainly had more than
(28) one discussion.
(29) Q: What did he - do you recall what he said in
(30) any of the discussions?
(31) A: He agreed with us.
(32) Q: Do you recall what he said?
(33) A: Specifically his words? No.
(34) Q: Do you recall the essence of what he said?
(35) A: He agreed with us. I mean, that was the

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(11) For campaign, what we knew about it, why we thought
(12) it was going to work. Of course. He would have
(13) wanted - you know, we talked about our rationale
(14) for it.
(15) Q: Did you show him executions of the new
(16) campaign?
(17) A: Of course. Yes.
(18) Q: Did he say anything about the executions?
(19) A: He liked them.
(20) Q: Did he ask you anything about your
(21) rationale?
(22) A: Well, we told him the rationale.
(23) Q: And did he ask questions about it?
(24) A: We discussed it. You know, I can't remember
(25) specific questions back and forth. We had a
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discussion about it.
(26) Q: You made - you did make a formal
(27) presentation to him about the new campaign?
(28) A: I don't know what your definition of formal
(29) presentation is. We had a discussion about it.
(30) Q: Yesterday we talked about a presentation
(31) that you made to several management people in
(32) connection with the Joe Camel birthday celebration.
(33) A: Yes.
(34) Q: And you made a presentation -

(1) A: Yes.
(2) Q: - that included executions of the campaign?
(3) A: Yes.
(4) Q: And, I assume, discussions as to the aspects
(5) of the campaign?
(6) A: Yes.
(7) Q: Did you have a similar presentation with
(8) Mr. Schindler?
(9) A: Yes.
(10) Q: And when did you have that - when did you
(11) make that presentation?
(12) A: Don't know. I mean, again, I think it was
(13) in the first half, when we had the discussions and
(14) meetings on it.
(15) Q: And when did he give you his decision?
(16) A: Again, I don't remember exactly the month.
(17) It was last year.
(18) Q: Was it immediate or did he think about
(19) it?
(20) A: You know, we had several discussions on it.
(21) So I don't - I mean, I can't tell you was it
(22) exactly - what minute.
(23) MR. WILLIAMS: Don't guess.
(24) BY MR. SHONKA:
(25) Q: You don't recall if he gave you his approval

(1) at the same meeting as you gave him the
(2) presentation?
(3) A: No. Because we had - it was more informal
(4) than that. We have discussions about it, and then
(5) we might have showed him the advertising, and we
(6) might have had a discussion to go ahead and do it.
(7) I mean, it wasn't - I can't tell you
(8) exactly. Did we have two discussions? Did we have
(9) three? Did we finally agree on the third discussion
(10) or the second one and just have another discussion
(11) about it?
(12) I mean, we work as a team, and we talked
(13) about it and agreed to do it and moved on.
(14) Q: Maybe this would help my understanding. How
(15) often do you meet with Mr. Schindler?
(16) A: How often do I talk to him?
(17) Q: Yes.
(18) A: Well, if we're both in the office, every
(19) day. If I'm not in the office, I don't talk to him
(20) that day; but if we're in the office, every day.
(21) Q: All right. And I take it your relationship
(22) with Mr. Schindler is such that you don't schedule
(23) meetings much in advance with him?
(24) A: Sometimes we do, but often they're not
(25) scheduled.

(1) Q: All right. The meetings that you're talking
(2) about, are they the type - were they scheduled or
(3) were they just in the course of the day?
(4) A: They could have been either. Just don't
(5) remember.
(6) Q: Did Mr. Schindler give you his reasons for
(7) agreeing with the decision - with your
(8) recommendation to terminate the campaign?
(9) A: He agreed with our rationale. He agreed
(10) with that.
(11) Q: Did he give you any other reasons?
(12) A: Just one minute. I just realized my cup of
(13) water here must have a leak.
(14) MR. SHONKA: Let's go off the record a
(15) second.
(16) (Discussion off the record.)
(17) BY MR. SHONKA:
(18) Q: Did he -
(19) MR. SHONKA: What was the last question?
(20) MR. WILLIAMS: Did he tell you his rationale
(21) for agreeing?
(22) (Previous question read by reporter.)
(23) THE WITNESS: He agreed with our rationale.
(24) I don't think he gave any reasons beyond that.
(25) BY MR. SHONKA:

(1) Q: Did he - strike that.
(2) Did you ever discuss the termination of the
(3) Joe Camel campaign with Mr. Goldstone?
(4) A: We showed him the new campaign. But I think
(5) that was after the decision had already been made.
(6) I don't really remember having any discussion with
(7) him on it, no. We did have an opportunity to show
(8) him the new campaign; but, no, I don't recall any
(9) conversation between he and I.
(10) I mean, certainly something was said like:
(11) As you know, we're not running the Joe Camel
(12) campaign anymore. Here's the new campaign.
(13) Q: You did not get his approval for the new
(14) campaign first?
(15) A: I did not, no.
(16) Q: Do you know if Mr. Schindler did?
(17) A: No. My perception is that Mr. Schindler
(18) made the decision and informed him of it. But you
(19) would have to ask him that.
(20) Q: All right. Regarding - Reynolds is about
(21) to launch a new - or has launched a new campaign
(22) for Salem?
(23) A: We have a different campaign in test market
(24) for Salem.
(25) Q: Has that been presented to Mr. Goldstone?

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[1] A: Sure. I showed it to him, yes.
[2] Q: And has he approved it?
[3] A: He didn't - I mean, Andy approves what we
[4] do. He doesn't.
[5] MR. WILLIAMS: Andy approves what we do.
[6] "He" being Goldstone.
[7] THE WITNESS: I'm sorry. "He" being
[8] Goldstone.
[9] My perception is - I mean, you need to ask
[10] Andy that. But my perception is Andy approves what
[11] we do. We - and then - I don't know what goes on
[12] between Andy and Steve, but my perception is Andy
[13] makes the decisions.
[14] BY MR. SHONKA:
[15] Is it fair to assume that Mr. Goldstone has
[16] a veto?
[17] A: I don't know.
[18] MR. WILLIAMS: No, it's not fair to assume.
[19] THE WITNESS: Again, I don't know. You
[20] would have to talk to Andy about that.
[21] MR. WILLIAMS: That's a legal question,
[22] David.
[23] THE WITNESS: My perception is Andy makes
[24] the decisions.
[25] MR. SHONKA: Okay.

[1] BY MR. SHONKA:
[2] Q: Did Mr. Schindler indicate to you that he
[3] had discussed the termination of the Camel
[4] campaign with Mr. Goldstone?
[5] A: I think he told me he told him about it.
[6] Q: Was this during one of the meetings you've
[7] discussed?
[8] A: No. It was probably just, you know, in one
[9] of our conversations. I mean, we talk mostly every
[10] day.
[11] Q: Do you recall the time period for that?
[12] A: No.
[13] Q: What is the status of the Joe Camel image
[14] today?
[15] A: I know what you mean by "the status."
[16] We ended it.
[17] Q: You have in the market today a Camel Cash
[18] catalog?
[19] A: Yes, our collectibles catalog I described to
[20] you, yes.
[21] Q: A few minutes ago.
[22] A: Uh-huh.
[23] Q: And the Camel's collectible catalog includes
[24] Joe Camel related merchandise?
[25] A: Yes, it does. That's one piece of it,

[1] because it covers Camel's whole history.
[2] Q: Are there other Joe Camel paraphernalia -
[3] is that a correct term?
[4] A: No.
[5] Q: Okay.
[6] Is - maybe you can help me out here. The
[7] Joe Camel image is incorporated into some of the Joe
[8] Camel merchandise that is presently in the Camel
[9] Cash catalog; is that correct?
[10] A: Yes.
[11] Q: All right. I'm looking for the broadest
[12] term to describe the use of the Joe Camel image.
[13] What's the appropriate term for Reynolds on that?
[14] A: I'm not sure what you're asking. Do we -
[15] the Joe Camel image?
[16] Q: Yes. Is it fair to talk about the Joe Camel
[17] image? Do you understand what that is?
[18] A: I think so. I mean, in general.
[19] Q: All right. Is the Joe Camel image in use by
[20] Reynolds anywhere today, other than in the Camel
[21] Cash catalog?
[22] A: The only thing that we have produced with
[23] the Joe Camel image since we made the decision is
[24] the - this catalog, this Camel Cash collectibles
[25] catalog.

[1] Q: Does Joe Camel - does the Joe Camel image
[2] continue to be displayed in any retail outlets, to
[3] your knowledge?
[4] A: We asked our sales force to transition to
[5] the new campaign. It - of course, it's always
[6] possible, because those signs belong to retailers
[7] and there could be some retailer that, you know, our
[8] sales force doesn't call on anymore or - you know.
[9] Obviously it's their property, so ...
[10] But we asked our sales force to replace
[11] signs we had in stores with the new campaign.
[12] Q: How about in other places, duty-free shops?
[13] A: I don't know about duty-free shops. I think
[14] that's part of our international business. I don't
[15] think that's part of our business.
[16] Q: It's not part of the domestic?
[17] A: I don't think so.
[18] Q: Is the Joe Camel image in use in the
[19] international tobacco?
[20] A: I don't know.
[21] Q: Okay.
[22] MR. SHONKA: Just a moment.
[23] (Discussion off the record.)
[24] MR. SHONKA: All right. John, I think I'm
[25] ready to go into the direct marketing part. And you

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[1] want the transcript marked in some fashion or just
[2] identified as - on the record that we're now going
[3] into the direct marketing?

[4] MR. WILLIAMS: Yeah. Why don't you
[5] separately bind up a deposition transcript of
[6] Ms. Beasley, and the topic of the new - the new
[7] deposition is - what is it, David, direct
[8] marketing -

[9] MR. SHONKA: Direct marketing issues.

[10] MR. WILLIAMS: Direct marketing issues,
[11] pursuant to 30(b)(6) of the - FTC equivalent of the
[12] 30(b)(6) of the Federal Rules of Civil Procedures.

[13] And in connection with that, in order to
[14] assist Mr. Shonka in conducting this deposition, I
[15] provided him yesterday a statement of RJR database
[16] marketing policies.

[17] And let me suggest, David, that we mark this
[18] as Direct Marketing Exhibit Number -

[19] MR. SHONKA: DM-1.

[20] MR. WILLIAMS: DM-1? So it won't be
[21] confused with any Beasley exhibits.

[22] MR. SHONKA: That's acceptable to me.

[23] It would probably be helpful just to take a
[24] few minutes right now to shuffle notes and paper.

[25] It would be another if not Ten or Fifteen minutes

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[1] max.

[2] MR. WILLIAMS: How about five?

[3] MR. SHONKA: Five? Fine. If I'm not ready
[4] when you come back, I'll continue to play. I don't
[5] think it'll take more than that, though, John.

[6] (Discussion off the record.)

[7] (Signature reserved)

[8] (Deposition concluded at 11:12 a.m.)

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CERTIFICATION OF REPORTER

[1]
[2]
[3] DOCKET/FILE NUMBER: D09285
[4] CASE TITLE: R.J. REYNOLDS TOBACCO COMPANY
[5] HEARING DATE: June 17, 1998

[6]
[7] I HEREBY CERTIFY that the transcript contained
[8] herein is a full and accurate transcript of the notes
[9] taken by me at the hearing on the above cause before
[10] the FEDERAL TRADE COMMISSION to the best of my
[11] knowledge and belief.

[12] DATED: June 18, 1998

[13]

[14]

[15] ELIZABETH S. GIRVAN

[16]

CERTIFICATION OF PROOFREADER

[17]
[18] I HEREBY CERTIFY that I proofread the
[19] transcript for accuracy in spelling, hyphenation,
[20] punctuation, and format.

[21]

[22]

[23]

[24]

[25] CRYSTAL WENDT

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CERTIFICATE OF DEponent

[1]

[2] I hereby certify that I have read and examined
[3] the foregoing transcript, and the same is a true and
accurate record of the testimony given by me.

[4]

[5] Any additions or corrections that I feel are
[6] necessary, I will attach on a separate sheet of paper
[7] to the original transcript.

[8]

[9]

[10]

[11]

[12] I hereby certify that the individual
[13] representing himself/herself to be the above-named
individual, appeared before me this

[14]

[15] _____ day of _____, 1998, and executed
[16] the above certificate in my presence.

[17]

[18]

[19]

[20] MY COMMISSION EXPIRES:

[21]

[22]

[23]

[24]

[25]

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[1] WITNESS: Lynn Beasley (Volume III)
[2] DATE: June 17, 1998
[3] CASE: D09285
[4] Please note any errors and the corrections thereof on
this errata sheet. The rules require a reason for
[5] any change or correction. It may be general, such as
"To correct stenographic error," or "To clarify the
[6] record," or "To conform with the facts."

[7]
[8] PAGE LINE CORRECTION REASON FOR CHANGE

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Produced by R.J.R.D.
HUNTER
A
in
by

52189 3362

RJR

52189 3363

CONFIDENTIAL

YAS OOH PLANS

50739 4133

EXHIBIT NO. 32
Wit: L. Beasley
Date: 6/17/98
Rptr: _____

OBJECTIVE

DESTRANSLATE WITH RESOURCES TO BETTER MEET LONG-TERM

NEEDS OF OUR BRAINS.

THE HUMPHREY GIRL

Produced by RJKRC
Produced by RJKRC

CX-298

91M03365

YAS OOH PLAN

91M03366

BACKGROUND

OOH PLAN

- o DESIGNED TO PROVIDE BROAD MARKET COVERAGE IN EACH SALES REGION DESPITE THE FACT THAT BUSINESS OPPORTUNITIES MAY DIFFER REGION TO REGION.
- o IN SOME CASES, BRANDS PUT IN POSITION OF SUPPORTING FIXED OOH PATTERNS/LEVELS VERSUS OOH SUPPORTING INDIVIDUAL BRAND NEEDS/STRATEGIES.

YAS OOH PLAN

RJR 115416

E3189 3365

50739 4135

91M03367

RESTRUCTURED PLAN

- THREE LEVELS OF GENERAL MARKET OOH WEIGHT WERE ESTABLISHED:
 - INDIVIDUAL BRAND OPPORTUNITIES
 - OOH PATTERNS/LEVELS TAILORED BY REGION TO SPECIFICALLY ADDRESS OUR

0 YAS OOH SHOWING

IMPACT PRESENCE MAINTENANCE

THE LUMINIFIRE

Produced by RJKC
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YAS OOH PLAN

50739 4196

o **Focus YAS PLAN**

- AGGRESSIVELY ADDRESSES CORPORATE OBJECTIVE TO OFFENSIVELY TARGET YAS FOR CURRENT AND FUTURE GROWTH.
- PROVIDES CONTINUOUS, TARGETED EXPOSURE FOR HIGHEST OPPORTUNITY BRANDS IN KEY MARKETS.
- CREATES THE PERCEPTION THAT OUR BRANDS ARE IN-TUNE WITH YAS LIFESTYLES ON A UNIQUELY SPECIFIC LOCAL MARKET BASIS.
- ESTABLISHES AN IN-MARKET PLATFORM TO WHICH OTHER YA-FOCUSED MARKETING ELEMENTS CAN BE ADDED AS RESOURCES PERMIT (E.G. RETAIL PROGRAMS, PACK ACTION PROGRAMS, TARGETED PROMOTIONS).

91M03368

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YAS OOH PLAN

50739 4137

WHAT IS A YAS SHOWING?

- o UNITS LOCATED WHERE YOUNGER ADULT SMOKERS "HANG OUT" OR FOR OTHER REASONS GATHER ON A REGULAR BASIS.
 - NEAR VENUES WHERE ROCK CONCERTS ARE REGULARLY HELD
- ALONG CRUISING STRIPS/STREETS WITH HEAVY CONCENTRATIONS OF FAST FOOD RESTAURANTS AND CONVENIENCE STORES.
- NEAR TECHNICAL COLLEGES, VIDEO GAME ARCADES, MAJOR RECORD STORES, RACE TRACKS, ETC.
- o IT GOES BEYOND TRADITIONAL OOH PARAMETERS.
 - HIGH "DAILY EFFECTIVE CIRCULATION" NOT CRITICAL - MAYBE YAS ONLY IN AREA ON WEEKENDS - THAT'S OK!
- MULTIPLE UNITS IN SAME AREA/SAME LINE OF SIGHT NOT A PROBLEM.

COVERAGE OF TOTAL MARKET IS NOT CRITICAL TO YAS SHOWINGS

OUTDOOR ADVERTISING

91M03369

--- נָהָר ---

52189 3368

YAS OOH PLAN

50739 4138

91M03370

IMPLEMENTATION

- o YAS SHOWINGS HAVE BEEN IN-MARKET SINCE JULY 1989.
 - PHILADELPHIA AND TOLEDO WERE CHOSEN AS INITIAL TEST AREAS.
 - NON-TRADITIONAL FORMS WERE USED AS WELL AS UNIQUE "TWISTS" ON TRADITIONAL OOH TO ACHIEVE IMPACT

Two sheet triads

Ads in motion

Stacked 30-sheets

One sheets

Bus shelters

8-sheets backlights

YAS OOH PLAN

YAS OOH PLAN

YAS OOH PLAN

YAS OOH PLAN

EXPANSION

- o PROGRAM EXPANDED IN 1990.
- 32 ADDITIONAL MARKETS ADDED.
- CAMEL 22
- SALEM 11
- TD 1
- TOTAL COMMITMENT TO PROGRAM 8MM.
- RESEARCH PROGRAM IS BEING DEVELOPED TO DETERMINE EFFECTIVENESS OF YAS SHOWINGS. TIMING: 2ND QUARTER. FIRST WAVE RESULTS 3RD QUARTER.
- PLANS ARE TO EXPAND YAS SHOWINGS TO TOP 75 MARKETS BY 1991.

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R.J. REYNOLDS TOBACCO COMPANY
MATTER NO. D09285

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